
TAX EDUCATION AND COMPLIANCE IN THE INFORMAL SECTOR OF OGUN STATE NIGERIA

Aremu E. (M.Sc. Accounting), Dr. Siyanbola T.T.(Ph.D. in Accounting)

Department of Accounting, Faculty of Management Sciences, Babcock University, Illishan,
Remo, Ogun State, Nigeria

ABSTRACT: *Tax Education and Compliance in Informal sector of Ogun State Nigeria is a combination that constitute a recognisable driving force for the development of an economy and the contribution of this sector cannot in any way be over-looked by any developing country particularly one that is struggling to diversify from oil revenue and improve tax revenue. The efficiency or otherwise of tax education combined with the challenges of informal sector can make or mar the success of tax compliance and this is the focus of this study. The non-compliance in the informal sector is one of the critical factors affecting government revenue collection and hindering the provision of public goods and services as catalyst of development. The main objective of the study was to ascertain the effect of tax education on tax compliance of the informal sector in Ogun State. The study employed survey design. The population comprised six economic zones in Ogun State, centred on 2465 various applicable professional/technical association covering the various sub-sectors. The study adopted primary source of data with reliability result above 0.70 which suggests that the instrument used for evaluation was highly reliable. The Taro Yamane formula was used to obtain a sample size of 310 structured questionnaire while 240 responded. The study revealed that tax education has positive significant effect on taxpayer registration. $\text{Adj. } R^2 = 0.97$, ($F\text{-statistic} = 0.97$), $p\text{-value} = 0.000$ which is less than 0.05 adopted for this work. The findings on returns shows that tax education has significant effect on timely filing of returns. $\text{Adj. } R^2 = 0.98$ ($F\text{-statistic} = 0.98$) $P\text{-value} = 0.000$ which is less than 0.05 adopted for this work. Tax education has significant effect on correct declaration of taxable income. $\text{Adj. } R^2 = 0.99$, ($F\text{-statistic} = 0.99$), $P\text{-value} = 0.000$ which is less than 0.05 adopted for this work. Tax education has significant effect on timely payment of assessed tax. $\text{Adj. } R^2 = 0.98$, ($F\text{-statistic} = 0.98$), $P\text{-value} = 0.000$ which is less than 0.05 adopted for this work. Thus, the study concluded that tax education has significant effect on tax compliance in Ogun State. The study recommended that relief and taxpayer advocate should be encouraged to increase correct declaration of taxable income through well-structured tax education in the informal sector to improve tax compliance. Tax education should be encouraged by tax authorities as it has the potentials of affecting positively the taxpayer's compliance.*

KEYWORDS: assessed tax, taxable income, tax compliance, tax education, taxpayers.

INTRODUCTION

Tax compliance is vast becoming a global and topical issue for many reasons but prominent which is the generation of more public revenue in the face a dwindling oil price and a descending approach of the revenue from other mineral resources as well. In considering tax compliance, the economic sectors are broadly classified into two, the formal sector where the large corporate and multinationals are operating as taxpayers. The second category were the informal sector, where largely the small and medium sized enterprises are the dominant players, this will include the sole-proprietorship category. Globally, one way to look at tax compliance by corporate tax payers in Malaysia according Sapiei, Kasipillai, and Eze,(2014) is to consider tax rate, detection and penalty and fines structure which will combine to determine compliance cost and eventually become the factor of willingness to voluntarily comply with tax statutes or attempt evasion. Informal sector in Nigeria is faced with challenges which make tax compliance difficult and lead to loss of revenue by the government. According to Obara and Nangih (2017) challenges of informal sector include “poor understanding of tax laws processes, poor understanding of benefits of paying tax by operators, lack of proper records or improper recording of business transactions, culture of deliberate tax evasion, avoidance and general reporting on the part of operators, non-disclose of or incorrect business addresses, challenge of multiple taxes, challenge of corruption by tax officials, challenge of bad governance thereby making operators not to set the need to pay taxes since they do not enjoy government services, predominance of cash transaction, lack of effective regulation, high level of illiteracy amongst informal sector operators, lack of education and proper sensitization by the tax authorities to encourage compliance, structure of our economy, which is the predominantly agricultural, administrative problem. In spite of the different procedure and tax policies by the government and other stakeholders in Nigeria to improve individual tax compliance, yet non-compliance is a problem in revenue generation (Beale & Wyatt, 2017).

Taxing the informal economy or Informal sector in recent times have received greater economic attention and occupies an important domain in revenue generation among developing economies (Udoh 2015). The greater percentage of tax defaulters and increase in tax evasion are traced to informal sector. Naturally, taxpayers are not always willing and ready to comply with the tax obligations imposed on them by law (Adesina & Uyioghosa, 2016). This limits the fundamental goals and aspirations of tax administrators; whose duties are to process the collection of taxes and giving the necessary procedure of creating necessary awareness that would make people pay their taxes. In many cases, overall tax compliance levels are low and large proportion of the informal sector of the economy escape the tax net entirely, (Adesina & Uyioghosa, 2016).

Some previous relevant studies had been conducted in respect of tax compliance were frequency of audits improve tax compliance? (Saw, 2017), Development of an informal sector and tenement tax monitoring and compliance enforcement (Fagbohun, & Obiyemi, 2018), tax justice and

compliance of Nigerian tax payers (Oyebamiji, 2018). However, bringing the informal economy into the tax net has proven more difficult. This has been the reason for this study, to assess the effect of tax education on tax compliance in informal sector of Ogun State, Nigeria and make necessary recommendations on how to bridge the gap of tax evasion and avoidance, thereby boosting taxpayer's compliance level.

Objective of the study

The main objective of the study was to ascertain the effect of tax education on tax compliance of the informal sector in Ogun State, Nigeria while the specific objectives are to:

- i. ascertain the effect of tax education on new taxpayers' registration in the informal sector in Ogun State
- ii. evaluate the effect of tax education on timely filing of returns in the informal sector in Ogun State
- iii. examine the effect of tax education on the correct declaration of taxable income in the informal sector Ogun State
- iv. access how tax education affects timely payment of assessed tax in the informal sector in Ogun State

Research question

The following questions were answered in this study

- i. In what way does tax education affect new taxpayers' registration in the informal sector in Ogun State?
- ii. How does tax education affect timely filing of returns in the informal sector in Ogun State?
- iii. In what way does tax education affect correct declaration of taxable income in the informal sector in Ogun State?
- iv. How does tax education affect timely payment of assessed tax in the informal sector in Ogun State?

LITERATURE REVIEW

This section consists of conceptual, theoretical and empirical review of literatures related to the study areas and gaps in related literatures that necessitate this study.

Conceptual Review

The tax remains an obligatory remittance to the government by individuals and organisations; it is a source of revenue to the government that is used in the building of infrastructure and other important facilities in a country. It serves as a useful fiscal tool for stabilising the national economy as well as the mechanism for redistributing national wealth (Alabede, 2014). Taxes have been in existence from ages, as a way of generating income in various societies. It is a system of charging

individuals and corporate bodies by the government for the development of the state. Purposes of taxation can be fulfilled if and when citizens pay their taxes regularly and correctly, based on their ability-to-pay basis (Ihenyen & Mieseigha, 2014).

Tax compliance is the willingness of taxpayers to fulfil the relevant tax obligation by declaring the actual income and timely payment of correct tax liabilities to the government (Sitardja & Dwimulyani, 2016). Ahmed and kedir (2015) also stated that tax compliance is the degree at which taxpayers complies with tax laws and regulation as approved in a country. In the same vein, Tax compliance is described as adhering to the procedures and legislation, including the actual and accurate sales paid and collected reporting, actual sales liability, payment of the total due taxes in the period laid down, and the filing of tax returns within a specific period (Nura 2017). From the foregoing, Tax payers' compliance behaviour level is a major concern to government as high tax evasion affect government in having enough fund for the provision of public goods. A very low tax compliance rate limits the government's ability to generate enough revenue for the provision of developmental and economic projects, rendering of public goods and services (Radae & Sekhon, 2017).

Timely filing of returns.

Saw (2017) defined tax compliance as ability of taxpayers to file tax returns within the stipulated time frame in terms of tax liability declaration and prompt payment of this liability to the tax authority. Complexity of tax system affect individual taxpayer compliance decision especially in the informal sector, timely filing of returns by informal sector could be achieved through trade union or association leadership. Akeju (2018) opined that filing of returns by informal sector were of great result if government could go through trade association leadership acting as government agent in the revenue collection. The leadership of each association will act as tax administrator for government and ensure timely filing of returns.

Oladi and Obazee (2016) asserted that tax knowledge has a tendency of improving tax compliance than tax penalty. There is a direct link between of tax knowledge and tax compliance, which mean that increase in tax knowledge also increase tax compliance among taxpayers. In addition, Purnaditya (2015) stated that the understanding of taxpayers has a positive and significant impact on taxpayer compliance. As tax education and knowledge increases, tax compliance will also increase. A timely filing is important not only for purposes of filing and avoiding penalties but also to start the statute of limitation for both assessment and refund claims.

General Tax Knowledge

Taxpayer must possess certain level of tax knowledge in order to get familiar with the requirement of tax system such as registration as taxpayer, filing of returns, declaration of taxable income and timely payment of assessable tax. Sulistiani, and Jayanto (2016) defined tax knowledge as to the understanding or knowledge acquired by the taxpayer related to taxation. Satria (2017) further added that tax knowledge is the perception of taxpayer toward their knowledge about taxation. Tax

understanding is the degree of knowledge and power of taxpayers to control and implement tax obligation. Thus, the high-level of tax knowledge will improve tax compliance.

Empirical Review, Empirical Gap and Hypothesis Development

Commitment to register as a new taxpayer compliance occurs when an individual voluntarily choose to comply with the tax payment (Alm, 2018). The researcher is of the opinion that committed tax compliance is “willingness of taxpayer to pay taxes with no complaint”. Previous studies also investigated to ascertain the relationship between tax education and commitment to register as new taxpayer compliance. Among those studies is the study of Adeoye and Adeyeye, (2018) study indicated that tax knowledge affects tax compliance among the small and medium enterprises, however, the nature of the relationship depends on the tax knowledge and the type of compliance to be achieved. The study recommended that the tax policy should be made simple to ensure compliance, penalties must be enforced, and taxpayers are to be educated more on tax laws. Several empirical studies have investigated effect of tax education on timely filing of tax returns. For instance, a study was conducted by Iredele, Ogunleye and Obe (2018) to assess the voluntary tax compliance among informal sector economy. The study examined the level and challenges of voluntary tax compliance of businesses within the informal Economy using the entire businesses that fall within the category of the informal sector in the Ifako-Ijaiye Local Council Development Area (LCDA) of Lagos state. The result showed that the level of voluntary tax compliance in the informal economy is low and the business owners who are the expected tax payers were of the opinion that non-utilization of tax revenue by the government and the excessive high tax rate account for their non-voluntary compliance. Further empirical evidence proved by the tax officials had it that the nature of the businesses of the informal economy and the unavailability of adequate records make it hard to tax the informal economy. Iredele, Ogunleye and Obe (2018), recommended that government should seek to be accountable with good governance in place, and that tax laws should regulate the tax rate applied to businesses in the informal economy.

Imam, Sugeng and Yuli (2017) study analyzed the role of taxation education on the tax knowledge and its impact on tax fairness and tax compliance of handicraft SME sector in Indonesia. Population size was restricted to Handicraft SMEs sector, other studies should look into a wider tax net. Similar to the aforementioned, Adesina and Uyiogbosa (2016) study investigated the impacts of tax payers’ knowledge and penalties on tax compliance amongst small and medium enterprises in Nigeria using a survey research design. Penalties could be significant in tax compliance in other sector, researchers could explore more on the gap for further studies.

Theoretical Framework

The study was anchored on the ability to pay theory propounded by Adam Smith in 1776. Tax education as a factor is a booster to those who actually have taxable and assessable income and thus each of the proxies of tax education will play a significant role in affecting the compliance level. (Estrada, 2011) tagged the ability to pay principle as a progressive tax as it is directly related to the level of tax payers income and wealth. Pressman, (2018) asserted that the term, ability to

pay, simply distribution of tax liabilities and benefits, furthers both egalitarian and utilitarian ideals.

Ability-to-pay principle is a theoretical principle ensuring fair taxation in the tax systems and that tax obligation of fiscal nature should be based on this proposition of ability to pay without recourse to the fact whether it has statutory provision or not (Koritnik & Podlipnik, 2017). Thus, the burden of payment which lies on assessable income and wealth would be lightened with proper education and awareness for a march towards tax compliance.

METHODOLOGY

The research design employed in collecting, analyzing and interpreting the data was the survey design. The choice of survey strategy over other research designs such as experimental and casual-comparative was informed by the assertion of Saunders, Lewis, and Thornhill (2007) that survey is an appropriate and common strategy in business and management research. The choice of survey strategy allowed for the collection of large amounts of data from the population in a highly economical way.

In undertaking a study of this nature there is need to choose a reasonable number of tax payers, from the available organized strata, to form the target population so that a logical research could be carried out with reasonable probability of success. In view of this, the target population selected from the informal sector in Ogun State, Nigeria obtained from the various registered trade associations and were trade broken down into accommodation & food services, agriculture, wholesale/retail trade, transport & storage, information and communication, education, arts, entertainment and recreation, water supply, sewerage, waste management and remediation activities, real estate activities, professional, scientific and technical works According to the same National bureau of Statistics the number of registered micro and small enterprises as at 2017 stood at 2,465 and were adopted for this research work. The same NBS data implied that approximately 40% of these enterprises make up the real informal sector.

Model Specification

In this study, there are two constructs; independent and dependent variables. Tax education as the independent variable is measured by general tax education, public information programmes and stakeholder's sensitization seminars while the dependent variable is registration as new taxpayers, timely filing of returns, correct declaration of taxable income and timely payment of assessable tax. The model for the variables is denoted in the equations below:

From the primary data sources, Tax Knowledge and Commitment were summarized for each respondent in table form to facilitate data analysis. In line with the study objectives, the study used linear regression model. The linear regression model sought to establish the relationship between Tax Knowledge and Tax Compliance.

The following Regression model was used in performing the research:

$$Y = f(X)$$

Where Y = Tax Compliance (TC),

Y = (y₁, y₂, y₃, y₄) and;

y₁ = Registration as new taxpayers (RNT)

y₂ = Timely Filing of returns (TFR)

y₃ = Correct Declaration of Taxable Income (CDI)

y₄ = Timely payment of assessed tax (TPA)

X = Tax Education (TE)

X = (x₁, x₂, x₃)

x₁ = General tax knowledge (GTK)

x₂ = Public Information Programme (PIP)

x₃ = Stakeholder Sensitization - Seminars, workshops and cultural events (SSS)

Hypothesis One

$$Y = f(x_1)$$

$$y_1 = \beta_0 + \beta_1 x_1 + \varepsilon_i$$

$$RNT = \beta_0 + \beta_1 GTK + \beta_2 PIP + \beta_3 SSS + \varepsilon_i \quad \text{-----Equation 1}$$

Hypothesis Two

$$Y = f(x_2)$$

$$y_2 = \beta_0 + \beta_2 x_2 + \varepsilon_i$$

$$TFR = \beta_0 + \beta_1 GTK + \beta_2 PIP + \beta_3 SSS + \varepsilon_i \quad \text{-----Equation 2}$$

Hypothesis Three

$$Y = f(x_3)$$

$$y_3 = \beta_0 + \beta_3 x_3 + \varepsilon_i$$

$$CDI = \beta_0 + \beta_1 GTK + \beta_2 PIP + \beta_3 SSS + \varepsilon_i \quad \text{-----Equation 3}$$

Hypothesis Four

$$Y = f(x_3)$$

$$y_4 = \beta_0 + \beta_3 x_3 + \varepsilon_i$$

$$TPA = \beta_0 + \beta_1 GTK + \beta_2 PIP + \beta_3 SSS + \varepsilon_i \quad \text{-----Equation 4}$$

$$TC = \beta_0 + \beta_1 GTK + \beta_2 PIP + \beta_3 SSS + \varepsilon_i \quad \text{----- Main Model}$$

Where β_0 = the constant of the equation

β_1 - β_3 = the coefficient of variables in the equations;

ε_i = the stochastic function that accounts for the errors that may arise in the equation.

DATA ANALYSIS, RESULTS AND DISCUSSION OF FINDINGS**Descriptive Analysis****Table 4.2: Demographic Characteristics of Respondent**

Variables	Characteristics	Frequency	Percentage (%)
Age	< 20 years	39	16.3
	21 – 30 years	58	24.2
	31 – 40 years	100	41.4
	41 – 50 years	42	17.5
	>50 years	1	.4
	Total	240	100
Gender	Male	155	64.6
	Female	85	35.4
	Total	240	100
Marital Status	Single	174	72.25
	Married	66	27.5
	Total	240	100
Variables	Characteristics	Frequency	Percentage (%)
Length of Service	0 – 9 years	24	10
	10 – 19 years	33	13.8

	20 – 29 years	97	40.4
	>30 years	86	35.8
	Total	240	100
Sector	Accommodation and food services	19	7.9
	Agriculture	8	3.3
	Wholesale/Retail Trade	12	5.0
	Transport & Storage	18	7.5
	Information and Communication	57	23.8
	Education	17	7.1
	Arts, Entertainment and Recreation	14	5.8
	Water Supply, Sewerage and Waste Management	47	19.6
	Real Estate Activities	31	12.9
	Professional, Scientific and Technical Works(Artisans)	17	7.1
	Total	240	100
Zone	Ijebu	23	9.6
	Remo	27	11.3
	Mowe/Ibafo	121	50.4
	Ota/Ado Odo	34	14.2

	Yewa	35	14.6
	Total	240	100

Management level	Owner	99	41.3
	Manager	84	35.0
	Technician	49	20.4
	Freelancer	5	2.1
	Others	3	1.3
	Total	240	100

Source: Field Survey, 2021

Interpretation

From Table 4.2, 39 (16.3%) are less than 21 years, 58 (24.2%) were between 21-30 years, 100 (41.4%) are between 31-40 years, 42 (17.5%) were also between 41-50 years while 1(4%) were 60 years and above. In respect of the gender, 155 respondents representing 64.6% indicate that they are males while 85 respondents representing 35.4% were females. Showing that most of the respondents were males but it also tells us that women are also not left out in this study. Also, 174 (72.25%) of the respondents are single, 66 (27.5%) are married. Furthermore, the length of service or level of experience of 24 (10%) of our respondents are between 0-9 years, 33 (13.8%) have between 10-19 years' experience, 97 (40.4%) have within 20-29 years of experience while 86 (35.8%) have over 30 years of experience. The respondents of this study are all Nigerians. As regards to business coverage of respondents, 19 respondents representing (7.9%) of accommodation sector, 8 (3.3%) agriculture, 12 (5%) wholesale/retail trade, 18 (7.5%) transport and storage, 57 (23.8%) information and communication, 14 (5.8%) arts entertainment and recreation, 47 (19.6%) water supply, sewerage and waste management, 31 (12.9%) real estate activities while 17 (7.1%) indicated technical work (Artisans). Furthermore, the location(zone) of respondents, 23 (9.6%) from Ijebu, 27 (11.3%) are from Remo, 121 (50.4%) from Mowe/Ibafo, 34 (14.2%) from Ota/Ado Odo while 35 (14.6%) from Yewa. As regard the management level of respondents, 99 (41.3%) owner, 84 (35%) manager, 49 (20.4%) technician, 5(2.1%) freelancer while 3 (1.3%) indicated others.

Empirical Analysis/Inferential Statistics (Interpretation, Discussion & Decision)

This section discusses the frequency of respondents' responses to each of the questions classified according to the research variables together with their specific percentage. This is done as follows:

Table 4.3: General Tax Knowledge

Items	To a Very Large Extent	To Some Extent	Moderately Extent	To a Small Extent	Not At All	Mean	Standard Deviation
Do you know about the existence of Tax Authorities?	18 7.5%	41 17.1%	34 14.2%	88 36.7%	59 24.6%	3.54	1.240
Have you been educated on whether or not your business activity is taxable?	25 10.4%	49 20.4%	39 16.3%	78 32.5%	49 20.4%	3.32	1.291
Do you have knowledge on your right and obligations to taxation?	31 12.9%	41 17.1%	55 22.9%	73 30.4%	40 16.7%	3.21	1.273
Have you ever been registered by any organisation for Tax purposes?	52 21.7%	42 17.5%	50 20.8%	54 22.5%	42 17.5%	2.97	1.405
Do you know the physical location of tax office where you are to honour your tax obligation?	48 20.0%	49 20.4%	42 17.5%	56 23.3%	45 18.8%	3	1.413
Do you know how to file your tax returns?	63 26.3%	53 22.1%	37 15.4%	53 22.1%	34 14.2%	2.76	1.417

Interpretation

Table 4.3, shows the respondent's opinion on various issues about general tax knowledge on tax education and tax compliance in informal sector in Ogun State. The responses indicated that to a very large extent 7.5% of the respondents know about the existence of tax authorities, 17.1% to some extent, 14.2% were moderately extent, 36.7% were to a small extent while 24.6% not at all.

On average the respondents to some extent know about the existence of tax (Mean = 3.54, Standard Deviation = 1.240).

Table 4.4: Public information programme

Items	To a Very Large Extent	To Some Extent	Moderately Extent	To a Small Extent	Not At All	Mean	Standard Deviation
Do you think that there are enough jingles on the airwave -radio and television on importance of Tax Compliance?	25 10.4%	79 32.9%	50 20.8%	61 25.4%	25 10.4%	2.92	1.190
Are you aware there are telephone short message service on GSM phones about payment of taxes	52 21.7%	74 30.8%	53 22.1%	40 16.7%	21 8.8%	2.60	1.240

Source: Field Survey, 2021

Interpretation

Table 4.4, shows the respondents' opinion on various issues about public information programme on tax education and tax compliance in informal sector in Ogun State. The responses indicated that to the very large extent 10.4% of the respondents that think there are enough jingles on the airwave-radio and television on the importance of tax compliance, 32.9% to some extent, 20.8% were moderately extent, 25.4% to a small extent while 10.4% not at all. On average the respondents to some extent think there were enough jingles on the airwave-radio and television on the importance of tax compliance (Mean =2.92, Standard Deviation= 1.190).

Table 4.5: Stakeholder Sensitization

Items	To a Very Large Extent	To Some Extent	Moderately Extent	To a Small Extent	Not At All	Mean	Standard Deviation
Do you think seminars can help in passing information on Tax system to the payers?	11 4.6%	19 7.9%	32 13.3%	77 32.1%	101 42.1%	3.99	1.13 5
Are you aware that failure to pay your tax is punishable by law including, business closure, fines and jail sentence?	23 9.6%	46 19.2%	39 16.3%	65 27.1%	67 27.9%	3.45	1.33 1
Do you know any tax defaulter who has been punished by the tax law through either closure of business, fined or jailed?	84 35.0%	57 23.8%	34 14.2%	37 15.4%	28 11.7%	2.45	1.40 1
Have you been educated on tax evasion and the extent of its consequence on your business?	41 17.1%	53 22.1%	56 23.3%	61 25.4%	29 12.1%	2.93	1.28 2

Source: Field Survey, 2021**Interpretation**

Table 4.5, shows the respondent's opinion on various issues about stakeholder sensitization on tax education and tax compliance in informal sector in Ogun State. The responses indicated that to a very large extent 4.6% of respondents that seminars can help in passing information on tax system to the payers, 7.9% to some extent, 13.3% were moderately extent, 32.1% were to a small extent while 42.1% not at all. On average the respondents indicated that seminars can help in passing information on tax system to the payers (Mean = 3.99, Standard Deviation = 1.135)

Table 4.6: Registration as new taxpayers

Items	To a Very Large Extent	To Some Extent	Moderately Extent	To a Small Extent	Not At All	Mean	Standard Deviation
To what extent will you consider the process for registration as fair?	15 6.3%	57 23.8%	72 30.0%	61 25.4%	35 14.6%	3.18	1.139
Do you think the activities of the Ogun State Internal Revenue Service influences you to consider registering as a tax payer?	26 10.8%	75 31.3%	52 21.7%	64 26.7%	23 9.6%	2.93	1.182
Are you influenced to register as a new taxpayer because of awareness programmes or use of force?	25 10.4%	54 22.5%	65 27.1%	65 27.1%	31 12.9%	3.1	1.194

Source: Field Survey, 2021**Interpretation**

Table 4.6, shows the respondent's opinion on various issues about registration as new taxpayers on tax education and tax compliance in informal sector in Ogun State. The responses indicated that to a very large extent 6.3% of respondents that considered the process for registration as fair, 23.8% to some extent, 30.0% were moderately extent, 25.4% were to a small extent while 14.6% not at all. On average the respondents considered the process for registration as fair (Mean = 3.18, Standard Deviation = 1.139).

Table 4.7: Timely Filing of Returns

Items	To a Very Large Extent	To Some Extent	Moderately Extent	To a Small Extent	Not At All	Mean	Standard Deviation
Do you know the physical location of tax office where you are to honour your tax obligation?	38 15.8%	55 22.9%	44 18.3%	63 26.3%	40 16.7%	3.05	1.34
Do you know how to file your tax returns?	56 23.3%	61 25.4%	43 17.9%	45 18.8%	35 14.6%	2.76	1.381

Source: Field Survey Result, 2021

Interpretation

Table 4.7, shows the respondent's opinion on various issues about timely filing of returns on tax education and tax compliance in informal sector in Ogun State. The responses indicated that, to a very large extent 15.8% of the respondents that known the physical location of tax office where they honoured their tax obligation, 22.9% to some extent, 18.3% were moderately extent, 26.3% to a small extent while 16.7% not at all. On average the respondents to some extent know the physical location of tax office where they honoured their tax obligation (Mean =3.05, Standard Deviation= 1.34).

Table 4.8: Correct Declaration of Taxable Income

Items	To a Very Large Extent	To Some Extent	Moderately Extent	To a Small Extent	Not At All	Mean	Standard Deviation
Do you pay your tax with no complains?	30 12.5%	63 26.3%	54 22.5%	51 21.3%	42 17.5%	3.05	1.296
Do you obey and make payment of your tax obligations reluctantly?	44 18.3%	68 28.3%	48 20.0%	58 24.2%	22 9.2%	2.78	1.257
Do you engage in activities to minimise your tax obligations such as tax planning and redefining your income?	72 30.0%	51 21.3%	55 22.9%	46 19.2%	16 6.7%	2.51	1.281
To what extent as tax education influence you to honestly declare all income on your tax return, if any?	28 11.7%	45 18.8%	47 19.6%	72 30.0%	48 20.0%	3.28	1.297

Source: Field Survey Result, 2021

Interpretation

Table 4.8, shows the respondent's opinion on various issues about correct declaration of taxable income on tax education and tax compliance in informal sector in Ogun State. The responses indicated that to a very large extent 12.5% of respondents that pay tax with no complains, 26.3% to some extent, 22.5% were moderately extent, 21.3% were to a small extent while 17.5% not at all. On average the respondents indicated that they pay tax with no complains (Mean = 3.05, Standard Deviation = 1.296).

Table 4.9 Timely Payment of Assessed Tax

Items	To a Very Large Extent	To Some Extent	Moderately Extent	To a Small Extent	Not At All	Mean	Standard Deviation
Are you aware of the associate cost of tax compliance such as time to spend on tax computation, cost of hiring accountant or consultant, the stress of uncertainty of whether you have thoroughly complied etc?	42 17.5%	51 21.3%	46 19.2%	69 28.8%	32 13.3%	2.99	1.319
Are you aware of the benefits of tax compliance such as winning government contracts, tax clearance certificate, continuity of business, tax incentives, absence of fear and panic, tax planning process?	27 11.3%	49 20.4%	40 16.7%	75 31.3%	49 20.4%	3.29	1.306
Is tax education responsible for your prompt payment of any tax due to the government?	29 12.1%	37 15.4%	37 15.4%	61 25.4%	76 31.7%	3.49	1.387

Source: Field Survey Result, 2021**Interpretation**

Table 4.9, shows the respondent's opinion on various issues about timely payment of assessed tax on tax education and tax compliance in informal sector in Ogun State. The responses indicated that 17.5% is to a very large extent of respondents that there was awareness of the associate cost of tax compliance, some extent 21.3%, 19.2% were moderately extent, 28.8% were to a small extent while 13.3% not at all. On average the respondents indicated that there was awareness of associate cost of tax compliance (Mean = 2.99, Standard Deviation = 1.319).

Inferential Analysis

In order to determine the effect of tax education on tax compliance in the informal sector in Ogun State, Nigeria, a multiple regression was done

Hypothesis One

Research Objective One: Determine the effect of tax education on new taxpayers' registration in the informal sector in Ogun State, Nigeria

Research Question One: To what extent does tax education affected new taxpayers' registration?

Research Hypothesis 1 (Ho1): Tax education has not significantly affected new taxpayers' registration..

Table 4.10: Model 1

Variable	model 1			
	Coefficient	Std. Error	t- stat	Prob.
Constant	.207	.039	5.369	.000
GTK	.067	.065	1.032	.303
PIP	.284	.044	6.463	.000
SSS	.583	.073	7.991	.000
R^2	.972			
Adjusted R^2 : Overall	.972			
F-Stat	276.943(.000)			

Dependent Variable: RNT

***significance at 5%**

Model 1

$$RNT = \beta_0 + \beta_1 GTK + \beta_2 PIP + \beta_3 SSS + \epsilon_i$$

$$RNT = 0.207 + .067GTK + .284PIP + .583SSS$$

The regression estimates of model 1 shows that taxpayer education measured by general tax knowledge (GTK), public information programme (PIP) and stakeholder's sensitisation (SSS) positively affects tax compliance factor of registration as new taxpayers in the informal sector (RNT). This is indicated by the signs of the coefficient. ($\beta_0 = 0.207$; $\beta_1 = 0.067$; $\beta_2 = 0.284$ and $\beta_3 = 0.583$). Also, general tax knowledge has a positive insignificant effect on tax compliance that will not be considered ($\beta = 0.067$, $t = 1.032$, $p = .303$), public information programme has a positive significant effect on tax compliance ($\beta = 0.284$, $t = 6.463$, $p = .000$), while stakeholders sensitisation has a positive significant on tax compliance ($\beta = 0.583$, $t = 7.991$, $P = 0.000$).

This implies that an increase in general tax knowledge will result to increase in tax compliance, an increase in public information programme will improve tax compliance, and an increase in stakeholder's sensitisation will lead to an increase in tax compliance.

The Adjusted R^2 of the model showed that 97.2% of the variations in tax compliance in the informal sector can be attributed to tax education proxies used in this study, while the remaining 2.8% of the variations in tax compliance are caused by other factors not included in this model. The overall F-Statistics is 276.943, while the P-value of the F-Statistics is 0.000 which is less than 0.05 adopted for this work. Implying that tax education influence on new taxpayers' registration in the informal sector in Ogun State, Nigeria is significant. Hence, the null hypothesis may not be accepted.

Hypothesis Two

Research Objective Two : Evaluate the effect of tax education on timely filing of returns in the informal sector in Ogun State, Nigeria

Research Question Two: How has tax education affected timely filing of returns?

Research Hypothesis 2 (H₀2): Tax education has not significantly affected timely filing of returns.

Table 4.11: Model 2

Variable	model 2			
	Coefficient	Std. Error	t- stat	Prob.
Constant	-0.257	0.039	-6.565	0.000
GTK	0.731	0.066	11.161	0.000
PIP	0.354	0.044	7.957	0.000
SSS	-0.033	0.074	-0.451	0.652
R^2	.979			
Adjusted R^2 : Overall	.979			
F-Stat	368.105(.000)			

Dependent Variable: TFR

***significance at 5%**

Model 2

$$TFR = \beta_0 + \beta_1 GTK + \beta_2 PIP + \beta_3 SSS + \epsilon_i$$

$$TFR = -.257 + .731 GTK + .354 PIP + .033 SSS$$

The regression estimates of model 2 shows that taxpayer education measured by general tax knowledge (GTK), public information programme (PIP) and stakeholder's sensitization (SSS) positively affects tax compliance factor of timely filing of returns in the informal sector (TFR). This is indicated by the signs of the coefficient. ($\beta_0 = -0.257$; $\beta_1 = 0.731$; $\beta_2 = 0.354$ and $\beta_3 = 0.033$). Also, general tax knowledge has a positive significant effect on tax compliance ($\beta = 0.731$,

$t=11.161$, $p = .000$), public information programme has a positive insignificant effect on timely filing of returns ($\beta= 0.354$, $t = 7.957$, $p=.000$), while stakeholders sensitization has a negative effect on timely filing of returns but not accepted as the p value is higher than 5% ($\beta= -0.033$, $t=-0.451$, $P=0.652$).

This implies that an increase in general tax knowledge will result to increase in tax compliance, an increase in public information programme will bring about improvement in tax compliance, and an increase in stakeholders sensitisation will lead to a decrease in tax compliance.

The Adjusted R^2 of the model showed that 97.9% of the variations in tax compliance in the informal sector can be attributed to tax education proxies used in this study, while the remaining 2.1% of the variations in tax compliance are caused by other factors not included in this model. The overall F-Statistics is 368.105, while the P -value of the F -Statistics is 0.000 which is less than 0.05 adopted for this work. Implying that tax education influence on timely filing of returns in the informal sector in Ogun State, Nigeria is significant. Hence, the null hypothesis may not be accepted.

Hypothesis Three

Research Objective Three : to establish effect of tax education on the correct declaration of taxable income in Ogun State, Nigeria.

Research Question Three: to what extent does tax education affected correct declaration of taxable income?

Research Hypothesis 3 (Ho3): Tax education has not significantly affected correct declaration of taxable income..

Table 4.12: Model 3

Variable	model 3			
	Coefficient	Std. Error	t- stat	Prob.
Constant	-0.086	0.026	-3.292	0.001
GTK	0.541	0.044	12.303	0.000
PIP	0.376	0.030	12.593	0.000
SSS	0.080	0.050	1.613	0.108
R^2	.989			
Adjusted R^2 : Overall	.989			
F-Stat	712.924(.000)			

Dependent Variable: CDI

*significance at 5%

Model 3

$$CDI = \beta_0 + \beta_1 GTK + \beta_2 PIP + \beta_3 SSS + \varepsilon_i$$

$$CDI = -.086 + .541 GTK + .376 PIP + .080 SSS$$

The regression estimates of model 3 shows that taxpayer education measured by general tax knowledge (GTK), public information programme (PIP) and stakeholder's sensitisation (SSS) positively affects tax compliance factor of correct declaration of taxable income in the informal sector (CDI). This is indicated by the signs of the coefficient. ($\beta_0 = -0.086$; $\beta_1 = 0.541$; $\beta_2 = 0.376$ and $\beta_3 = 0.080$). Also, general tax knowledge has a negative insignificant effect on tax compliance ($\beta = 0.541$, $t = -3.292$, $p = .001$), public information programme has a positive significant effect on tax compliance ($\beta = 0.376$, $t = 12.593$, $p = .000$), while stakeholders sensitisation has a positive insignificant on correct declaration of taxable income ($\beta = 0.080$, $t = 1.613$, $P = 0.108$).

This implies that an increase in general tax knowledge will improve tax compliance, an increase in public information programme will bring about improvement in tax compliance, and an increase in stakeholders sensitisation will lead to an increase in tax compliance .

The Adjusted R^2 of the model showed that 98.9% of the variations in tax compliance in the informal sector can be attributed to tax education proxies used in this study, while the remaining 1.1% of the variations in tax compliance are caused by other factors not included in this model. The overall F-Statistics is 712.294, while the P-value of the F-Statistics is 0.000 which is less than 0.05 adopted for this work. Implying that tax education influence on correct declaration of taxable income in the informal sector in Ogun State, Nigeria is significant. Hence, the null hypothesis may not be accepted.

Hypothesis Four

Research Objective Four : investigate how tax education affects timely payment of assessed tax in the informal sector in Ogun State, Nigeria.

Research Question Four: how has tax education affected timely payment of assessed tax?

Research Hypothesis 4 (Ho4): tax education has not significantly affected timely payment of assessed tax.

Table 4.13: Model 4

Variable	Model 4			
	Coefficient	Std. Error	t- stat	Prob.
Constant	0.006	0.030	0.189	0.851
GTK	0.694	0.050	13.969	0.000
PIP	-0.170	0.034	-5.040	0.000
SSS	0.483	0.056	8.619	0.000
R^2	.987			
Adjusted R^2 : Overall	.987			
F-Stat	616.296(.000)			

Dependent Variable: TPA***significance at 5%**

$$TPA = \beta_0 + \beta_1 GTK + \beta_2 PIP + \beta_3 SSS + \varepsilon_i$$

$$TPA = 0.006 + 0.694 GTK - 0.170 PIP + 0.483 SSS$$

The regression estimates of model 4 shows that taxpayer education measured by general tax knowledge (GTK), and stakeholder's sensitisation (SSS) positively affects tax compliance factor of timely payment of assessed tax in the informal sector (CDI) while public information programme (PIP) negatively affects timely payment of assessed tax. This is indicated by the signs of the coefficient. ($\beta_0 = 0.006$; $\beta_1 = 0.694$; $\beta_2 = -0.170$ and $\beta_3 = 0.483$). Also, general tax knowledge has a positive significant effect on timely payment of assessed tax ($\beta = 0.219$, $t = 7.757$, $p = .000$), public information programme has a negative effect on timely payment of assessable tax ($\beta = 0.588$, $t = 8.952$, $p = .000$), while stakeholders sensitisation has a negative effect on timely payment of assessed tax ($\beta = -0.483$, $t = 8.619$, $P = 0.000$).

This implies that an increase in general tax knowledge will bring about improvement in tax compliance, an increase in public information programme will result in decrease in tax compliance, and an increase in stakeholders sensitisation will lead to an increase in tax compliance. The Adjusted R^2 of the model showed that 98.7% of the variations in tax compliance in the informal sector can be attributed to tax education proxies used in this study, while the remaining 1.3% of the variations in tax compliance are caused by other factors not included in this model. The overall F-Statistics is 616.296, while the P-value of the F-Statistics is 0.000 which is less than 0.05 adopted for this work. Implying that tax education influence on timely payment of assessed tax in the informal sector in Ogun State, Nigeria is significant. Hence, the null hypothesis may not be accepted.

Table 4.14: Summary Table of Hypotheses Tested

S/N	Statement of Hypotheses	Decisions
1.	H01: Tax education has not significantly influenced new taxpayers' registration.	Rejected
2.	H02: Tax education has not significantly affected timely filing of returns.	Rejected
3.	H03: Tax education has not significantly influenced correct declaration of taxable income	Rejected
4	H04: Tax education has not significantly affected timely payment of assessable tax.	Rejected

Source: Field Survey Result, 2021

DISCUSSION OF FINDINGS

The purpose of this study was to determine the effect of tax education and tax compliance in informal sector of Ogun State, Nigeria. Primary data were used for the analysis. From the descriptive regression analysis, the following are the findings:

The model one summary shows that the adjusted coefficient of determination is 0.972. This indicates that 97.2% variation in tax compliance is attributable to taxpayer education measured by general tax knowledge (GTK). While the remaining 2.8% variation in tax compliance in the informal sector can be attributed to other variables not covered in this model. General tax knowledge has a positive insignificant effect on registration as new taxpayers ($\beta = 0.067$, $t = 1.032$, $p = .303$), public information programme has a positive insignificant effect on registration as new taxpayers ($\beta = 0.284$, $t = 6.463$, $p = .000$), while stakeholders sensitization has a positive significant on registration as new taxpayers ($\beta = 0.583$, $t = 7.991$, $P = 0.000$).

CONCLUSION AND RECOMMENDATIONS

The study examined the effect of tax education on tax compliance in informal sector in Ogun State. The regression estimates show that tax education measure by general tax knowledge, public information programme and stakeholder's sensitization positively affects tax compliance in informal sector in Ogun State Nigeria. Thus, this study concluded that tax education has positive significant effects on tax compliance in informal sector in Ogun State.

Recommendations

-The following recommendations are made based on the findings and conclusion of this study: Registration as new taxpayers should be encouraged through penalties and fear appealing messages in informal sector and proper education should be given with the help of tax experts to be able to enhance maximum taxpayer compliance.

-Timely filing of returns should be well encouraged to harness tax compliance in informal sector in Ogun State Nigeria. Tax authorities should be engaged in electronic taxpayer education, advertising and internet news in order to maximize high level of tax compliance to increase the contribution of informal sector to government revenue.

-Relief and taxpayer advocate should be encouraged to increase correct declaration of taxable income through well-structured tax education in the informal sector to improve tax compliance.

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Tax education should be encouraged by tax authorities as it has the potentials of affecting positively the taxpayer's compliance.

Suggestions for Further Studies

This study focused on three tax education proxies in informal sector of Ogun State, Nigeria, it is suggested that future studies should extend the scope of the study and explore other proxies and region in Nigeria in order to be able to generalize the conclusions therefrom to both formal and informal sector in Nigeria.

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